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MSRB's Net Assets for FY-15 Almost Triple from Five Years Ago.

WASHINGTON — The Municipal Securities Rulemaking Board had $69.52 million of net assets at the end of September, nearly triple the $25.94 million it had five years ago, according to MSRB financial documents.

Additionally, almost all of the self-regulator's revenues from fees rose in fiscal 2015, especially underwriting revenues from fees, up almost 30%, and revenues from enforcement agency actions, which more than tripled.

The only drop in revenue was from data subscriber fees, which fell about $34,425 or 1.85% to $1.82 million from $1.85 million.

The figures are from the MSRB's financial statement for fiscal year 2015, which ran from Oct. 1, 2014 through Sept. 30 of last year.

The board's $69.52 million of net assets for fiscal 2015 was up $9.1 million or 15% from $60.39 million at the end of the previous fiscal year. The board's net assets have been steadily growing for five years, after dropping for two fiscal years.

The board's total revenues for fiscal 2015 rose almost $9.34 million or 29% to $41.33 million from $31.99 million.

Its total expenses rose $2.72 million or 9.2% to $32.20 million from $29.48 million in 2014. Market information transparency programs and operations, at $15.56 million, made up almost half of the MSRB's expenses in fiscal year 2015. The next greatest expenses were $6.85 million for rulemaking and policy development and $5.56 million for administration.

In the revenue category, underwriting fee revenues rose to $12.99 million in fiscal year 2015 from about $9.98 million the previous year. Revenues from municipal advisor professional fees followed suit rising to $1.34 million compared to $968,700 in 2014. Fiscal 2015 was the second year MSRB collected those fees.

Revenue from rule violations also rose to more than $2.65 million from $709,523 in 2014. The Dodd Frank Act allowed the MSRB to collect a share of enforcement revenues from both the Securities and Exchange Commission and the Financial Industry Regulatory Authority.

This huge increase does not take include any enforcement revenue from either of the two sets of settlements that groups of underwriters entered into with the SEC under its Municipalities Continuing Disclosure Cooperation initiative, but may include enforcement revenue from the Edwards Jones case where Edward Jones paid $15 million in penalties to settle a case involving primary market pricing abuses.

While technology fee collections appeared to increase substantially to $7.27 million in fiscal 2015 from nearly $3.70 million, the latter figure does not take into account a $3.6 million partial rebate the MSRB gave to dealers in 2014 because the technology fund had exceeded its reserve target.

The MSRB’s investments showed a gain of $8 million, growing to $57.93 million in fiscal 2015 from $49.77 million in 2014.

Underwriters, who have traditionally paid the large majority of the collected MSRB fees, have consistently complained that newly regulated municipal advisors should have to shoulder more of the burden. Responding to such concerns, the MSRB proposed a plan last August to better distribute costs among regulated entities based on their level of involvement in market activities.

The self-regulator also decided it would raise its initial and annual fees, which all regulated members pay starting on Oct. 1, 2015 and would lower its underwriting fee starting on Jan. 1 of this year.

The initial fee rose to $1,000 from $100 and the annual fee changed to $1,000 from $500 while the underwriting fee dropped to $0.0275 per $1,000 of the par value of primary offerings from the current $0.03 per $1,000.

The MSRB also made the previously temporary technology fee permanent at $1.00 per transaction for each interdealer and customer sale report to the board and said it would no longer use the technology fee money solely for capitalized hardware and software expenses but instead would use it wherever the organization deemed appropriate.

Dealer and advisor groups both criticized the change, saying it treated members unfairly.

Michael Decker, managing director and co-head of municipal securities with the Securities Industry and Financial Markets Association, said in September that the MSRB failed to address the previous inequities to underwriters and suggested the self-regulator instead impose an activity-based fee structure on MAs that would mimic the current underwriting fee.

Terri Heaton, president of the National Association of Municipal Advisors, said in September that small MAs will face an undue burden as they are forced to absorb the increased initial and annual fees.

THE BOND BUYER

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JAN 11, 2016 4:33pm ET